

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2006**

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL**

TABLE OF CONTENTS

Report Letter.....	i
Management's Discussion and Analysis	iii
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Assets.....	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheets	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	4
Statement of Revenues, Expenditures and Changes in Fund Balances.....	5
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements.....	7
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund.....	19
Other Supplemental Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	20
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	21

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Plymouth Educational Center
Charter School
Detroit, MI

We have audited the accompanying financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Plymouth Educational Center Charter School as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plymouth Educational Center Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and the aggregate remaining fund information of the Plymouth Educational Center Charter School as of June 30, 2006 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006 on our consideration of Plymouth Educational Center Charter School's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plymouth Educational Center Charter School's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alan C. Young; Asso.

October 20, 2006

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006**

As management of the Plymouth Educational Center, we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The Academy's financial status remained strong and stable primarily due to increases in per-pupil State Aid and student population, and prudent fiscal management.
- Enrollment increased by 18 students (2%) to 905.
- The Academy continued its policy allowing employees to opt out of medical coverage for a lump sum payment of \$1,200 per employee. The employees had to show proof of medical coverage from a spouse or other source. There were 18 employees that elected this option in the 2005-2006 fiscal year. This strategy produced a savings of approximately \$86,000.
- From fiscal year 2003, the Academy felt the impact of the declining economy through a reduction in State Aid, of which a major portion is derived from sales tax. We anticipate continued flat to declining revenue through fiscal year 2006.
- The Academy remains committed to maintaining competitive starting teacher salaries. This strategy helps recruit and retain highly qualified teachers. To reach the board's goal, the budget impact was an approximate \$206,829 increase in expenditures for instruction.
- The General Fund received \$7,928,640 in revenue, which primarily consisted of the State Foundation grant, federal grants, fundraising proceeds, and bank interest. Excluding inter-fund transfers, there were \$6,752,615 in General Fund expenditures.
- The Academy's total debt increased by approximately \$2.5 million during the current fiscal year. The increase can be attributed to the refunding (refinancing) of the Academy building's original bonds, and the additional debt incurred for the construction of a new state-of-the-art athletic field, playground, Special Education classrooms, and an art room to accommodate the growth and curricular needs of the Academy. The Academy utilized the services of AG Edwards and Charter FS to facilitate the bond process and execute the debt instrument.

PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006
(Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net assets presents information, using the accrual basis of accounting, on all of the Academy's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements outline functions of the Academy that are principally supported by State Aid and intergovernmental revenues (Federal grants). The governmental activities of the Academy include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are supported by State Aid and intergovernmental revenues.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-18 of this report.

PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$1,013,059 as of June 30, 2006. This represents an increase of \$497,487 or 97% over last year.

The largest portion of the Academy's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Academy's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2006

The following shows a summary comparison of the Academy's statements of net assets for the years ending June 30, 2006 and 2005.

REVENUES

	<u>2006</u>
Program Revenues:	
Charges for Services	\$162,757
Federal and State Categorical Grants	1,683,208
General Revenues:	
State Aid-Unrestricted	6,444,215
Other	<u>250,820</u>
Total Revenues	<u>8,541,000</u>

EXPENSES

Instruction	3,524,926
Support Services	3,219,102
Food Services	327,878
Athletics	34,489
Latchkey	254,960

PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Change in Net Assets for the periods ending June 30, 2006 and 2005

REVENUES

	<u>2006</u>	<u>2005</u>
Program Revenues:		
Charges for Services	\$162,757	\$168,114
Federal and State Categorical Grants	1,683,208	1,519,485
General Revenues:		
State Aid-Unrestricted	6,444,215	6,228,251
Other	250,820	221,531
Total Revenues	<u>8,541,000</u>	<u>8,137,381</u>

EXPENSES

Instruction	3,524,926	3,043,350
Support Services	3,219,102	2,770,406
Food Services	327,878	428,208
Athletics	34,489	28,512
Latchkey	254,960	214,548
Interest on Long-term Debt	413,153	922,177
Unallocated Depreciation	165,081	165,081
Refunding Bond Expenses	103,924	0
Total Expenses	<u>8,043,513</u>	<u>7,572,282</u>

INCREASE IN NET ASSETS

<u>\$497,487</u>	<u>\$565,099</u>
------------------	------------------

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The strong performance of the District as a whole is reflected in its governmental funds. As the District completed its year, its governmental funds reported combined fund balances of \$3.4 million, including a fund balance in the General Fund of \$1,055,711 which represents 13% of total Academy revenue. The combined fund balance experienced an increase of \$479,605 or 16.4% over last year.

The General Fund had a slight deficit of \$33,414 primarily due to funds of (\$69,084) to cover an operating deficit in the School Service Fund.

Overall, the Academy is in good financial health.

PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006
(Continued)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS – (Continued)

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2006.

	<u>2006</u>	<u>2005</u>
REVENUES		
Local Revenue Sources	\$286,703	\$197,850
State Revenue Sources	6,962,580	6,661,028
Federal Revenue	679,357	660,704
Total Revenues	<u>7,928,640</u>	<u>7,519,582</u>
EXPENSES		
Instruction	3,009,337	2,698,224
Added Needs	424,217	267,076
Student Support Services	226,161	173,429
Instructional Support	276,673	330,688
General Administration	508,293	428,246
School Administration	1,210,760	927,100
Business Support	357,501	313,854
Plant Operations	718,866	690,863
Student Transportation	20,807	14,310
Capital Outlay	0	202,173
Total Expenses	<u>6,752,615</u>	<u>6,045,963</u>
Excess (Deficiency) of Revenue Over Expenditures	<u><u>\$1,176,025</u></u>	<u><u>\$1,473,619</u></u>

Also note that \$1,140,355 and \$1,121,181 was transferred to the debt service fund for funding of the Academy's bonded debt for the year ended June 30, 2006 and 2005, respectively.

General Fund Revenue

The majority of revenue was derived from state funding (88%) with federal funding making up 9% of total revenue. There was also local revenue from private grants and fundraising making up 3% of total revenue.

Expenditure Allocation

Basic instruction accounted for \$3,009,337 or 39% of the general fund budget. \$424,217 (5%) was spent on serving children with special needs. Instructional support expenditures were approximately 6% of the total expenditures.

\$718,866 (9%) was expended on operations and maintenance and 26% was expended on school administration, central support services and student support services; a breakdown of these expenditures is found on page 19. The remaining 15% was spent on the long-term debt for the building.

PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006
(Continued)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS – (Continued)

Comments on Budget Comparisons

- The Academy's total revenues for the fiscal year ended June 30, 2006, net of inter-fund transfers, were \$8.54 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$194,384 more than budget or approximately 2.5%.
- The total cost of all programs and services was \$8.31 million including debt service.
- General fund budget expenditures to actual varied significantly in Academy Added Needs \$212,700. Additionally, basic instruction closed with a budget surplus of \$(270,450). Budget amendments will be proposed more often and we will institute changes in the planning processes to help avoid this in the future.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006 The Academy had \$9.5 million invested in a broad range of capital assets, including buildings, athletic field improvements, landscaping, playground equipment, furniture, and computer and audio visual equipment. Total depreciation for the year was \$ 278,089.

	<u>2006</u>	<u>2005</u>
Land	\$255,900	\$255,900
Building and Building Improvements	8,649,841	8,805,795
Furniture and Equipment	<u>549,119</u>	<u>589,575</u>
Total	<u><u>\$9,454,860</u></u>	<u><u>\$9,651,270</u></u>

This year's additions of \$99,029 included the leasing of additional copiers, front office furniture, and 7 Hewlett-Packard replacement computers for middle school students.

Debt

At the end of this year, the Academy had \$14,125,644 in outstanding long-term debt versus \$11,605,560 in the previous year – a change of 22 percent. The increase in long-term debt includes the advance bond refunding that took place in 2006 and funds to develop a new athletic field with synthetic turf, a new playground and fitness course, and additional instructional space (art, special education) in the lower level. The long-term debt also includes debt for capital leases.

\$203,765 of long - term debt will be retired in the 2006-2007 fiscal year. This will further improve the Academy's cash position and financial standing.

PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006
(Continued)

BUDGETARY IMPLICATIONS

In Michigan the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the Academy overall budget.

Economic Factors and Next Year's Budgets and Rates

The Academy considers many factors when setting the Academy's 2006-2007 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2006 fiscal year is 25 percent of the February 2006 student count and 75 percent of the September 2006 student count. The all inclusive budget was adopted in May 2006 based on an estimate of students that will be enrolled in September 2006. Approximately 88% of total General Fund revenue is from the foundation allowance.

Under State law the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data at the start of the 2007 school year, we anticipate that the Fall count will be close to the estimates used in creating the 2006-2007 budget. Once the final student count and related pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public schools and public school Academies. The State periodically holds a revenue estimating conference to estimate revenues.

All Academy employees belong to The Michigan Public School Employees Retirement System (MPERS). The State mandates that the Academy contribute a percentage of each employee's salary towards funding his pension. The Academies contribution rate towards the pension will increase from 16.34% in the 2005-2006 fiscal year to 17.74% in 2006-2007. This 8.6% increase in pension contributions will have a budgetary impact of approximately \$179,000.

Questions regarding this report should be directed to the Chief Administrative Officer (313) 831-3280 or to Idowu A. Jegede, Director of Business Operations (313) 831-3280 or by mail at 1460 East Forest, Detroit, Michigan 48207.

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and Investments (Note 3)	\$2,651,417
Receivables (Note 4)	1,343,667
Capital Assets - Net (Note 5)	9,454,860
Deferred Bond Issuance Costs (Note 7)	770,670
Deferred Loss on Bond Issuance (Note 7)	<u>1,624,334</u>
Total Assets	<u>15,844,948</u>
Liabilities:	
Accounts Payable	38,568
Loan Payable	62,672
Accrued Payroll and Other Liabilities	604,401
Deferred Revenue (Note 4)	604
Long-Term Liabilities (Note 7):	
Due within one year	203,765
Due in more than one year	<u>13,921,879</u>
Total Liabilities	<u>14,831,889</u>
Net Assets:	
Investment in Capital Assets - Net of Related Debt	(4,395,140)
Restricted:	
Debt Service Fund	1,334,634
Capital Projects Fund	1,019,182
Unrestricted	<u>3,054,383</u>
Total Net Assets	<u><u>\$1,013,059</u></u>

The notes to financial statements are an integral part of this statement.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
JUNE 30, 2006**

		Program Revenues		Governmental Activities
		Charges for Services	Operating Grants/Contributions	Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>			
Functions/Programs				
Primary Government-Governmental Activities:				
Instruction	\$3,524,926	\$0	\$251,758	(\$3,273,168)
Support Services	3,219,102	0	1,045,964	(2,173,138)
Food Services	327,878	40,319	359,504	71,945
Athletics	34,489	2,555	25,982	(5,952)
Latchkey	254,960	119,883	0	(135,077)
Interest on Long-Term Debt	413,153	0	0	(413,153)
Depreciation (Unallocated)	165,081	0	0	(165,081)
Refunding Bond Expenses	103,924	0	0	(103,924)
Total Primary Government-Governmental Activities	<u>8,043,513</u>	<u>162,757</u>	<u>1,683,208</u>	<u>(6,197,548)</u>
General Revenues:				
State Aid not restricted to specific purposes				6,444,215
Interest and Investment Earnings				65,496
Contributions not restricted to specific purpose				63,378
Other				121,946
		Total General Revenues		<u>6,695,035</u>
Change in Net Assets				497,487
Net Assets-Beginning of Year				<u>515,572</u>
Net Assets-End of Year				<u><u>\$1,013,059</u></u>

The notes to financial statements are an integral part of this statement.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Investments (Note 3)	\$105,298	\$1,334,634	\$1,019,182	\$192,303	\$2,651,417
Receivables (Note 4)	1,309,910	0	0	33,757	1,343,667
Due from Other Funds	225,277	0	0	0	225,277
Total Assets	\$1,640,485	\$1,334,634	\$1,019,182	\$226,060	\$4,220,361
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$38,568	\$0	\$0	\$0	\$38,568
Loan Payable (Note 7)	62,672	0	0	0	62,672
Due to Other Funds	0	0	0	225,277	225,277
Accrued Payroll and Other Liabilities	482,930	0	0	783	483,713
Deferred Revenue (Note 4)	604	0	0	0	604
Total Liabilities	584,774	0	0	226,060	810,834
Fund Balances:					
Reserved:					
Debt Service Fund	0	1,334,634	0	0	1,334,634
Capital Projects Fund	0	0	1,019,182	0	1,019,182
Unreserved:					
Undesignated	1,055,711	0	0	0	1,055,711
Total Fund Balances	1,055,711	1,334,634	1,019,182	0	3,409,527
Total Liabilities and Fund Balances	\$1,640,485	\$1,334,634	\$1,019,182	\$226,060	\$4,220,361

The notes to financial statements are an integral part of this statement.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2006**

	<u>Amount</u>
Fund Balance-Total Governmental Funds	\$3,409,527
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because:	
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds:	
The Cost of Capital Assets is	10,815,631
Accumulated Depreciation is	<u>(1,360,771)</u>
	9,454,860
Long-Term Liabilities are not Due and Payable in the Current Period and are not Reported in the Governmental Funds:	
Bonds Payable	(13,850,000)
Compensated Absences	(239,549)
Other	(36,095)
Accrued Interest Payable is not included as a Liability in Governmental Funds	(120,688)
Bond Issuance Costs and Loss on Bond Issuance are Amortized over the Life of the Bond Issues in the Governmental Activities	<u>2,395,004</u>
Net Assets-Governmental Activities	<u><u>\$1,013,059</u></u>

The notes to financial statements are an integral part of this statement.

**PLYMOUTH CENTER CHARTER SCHOOL
GOVERNMENT FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue:					
Local Sources	\$286,703	\$44,935	\$19,182	\$182,349	\$533,169
State Sources	6,962,580	0	0	6,390	6,968,970
Federal Sources	679,357	0	0	359,504	1,038,861
Total Revenue	<u>7,928,640</u>	<u>44,935</u>	<u>19,182</u>	<u>548,243</u>	<u>8,541,000</u>
Expenditures:					
<u>Current:</u>					
Instruction	3,433,554	0	0	0	3,433,554
Support Services	3,319,061	0	0	0	3,319,061
Food Services	0	0	0	327,878	327,878
Athletics	0	0	0	34,489	34,489
Latchkey	0	0	0	254,960	254,960
<u>Debt Service:</u>					
Principal	0	190,000	0	0	190,000
Interest	0	752,525	0	0	752,525
Total Expenditures	<u>6,752,615</u>	<u>942,525</u>	<u>0</u>	<u>617,327</u>	<u>8,312,467</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,176,025</u>	<u>(897,590)</u>	<u>19,182</u>	<u>(69,084)</u>	<u>228,533</u>
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	0	13,850,000	0	0	13,850,000
Refunded Payment to Escrow	0	(12,801,683)	0	0	(12,801,683)
Bond Issuance Expenses	0	(797,245)	0	0	(797,245)
Transfers In	0	1,140,355	1,000,000	69,084	2,209,439
Transfers Out	(1,209,439)	(1,000,000)	0	0	(2,209,439)
Total Other Financing Sources (Uses)	<u>(1,209,439)</u>	<u>391,427</u>	<u>1,000,000</u>	<u>69,084</u>	<u>251,072</u>
Net Changes in Fund Balances	(33,414)	(506,163)	1,019,182	0	479,605
Fund Balances-Beginning of Year	1,089,125	1,840,797	0	0	2,929,922
Fund Balances-End of Year	<u>\$1,055,711</u>	<u>\$1,334,634</u>	<u>\$1,019,182</u>	<u>\$0</u>	<u>\$3,409,527</u>

The notes to financial statements are an integral part of this statement.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	<u>Amount</u>
Net Change in Fund Balance-Total Governmental Funds	\$479,605
Amounts Reported for Governmental Activities in the Statement of Activities are Different because:	
Governmental Funds Report Capital Outlay as expenditures; in the Statement of Activities, these Costs are Allocated Over their Estimated Useful Lives as Depreciation:	
Depreciation Expense	(278,089)
Capitalized Capital Outlay	<u>61,081</u>
	(217,008)
Accrued Interest is Recorded in the Statement of Activities when Incurred; it is not Reported in Governmental Funds until Paid	339,372
Repayment of Bond Principal and Note Obligations are Expenditures in the Governmental Funds, but not in Statement of Activities (where it reduces long-term debt)	11,431,577
Unamortized Bond Issuance Costs and Unamortized Loss on Bond Issuance are shown as Expenditures in the Governmental Funds, but are allocated over the Life of the Issuance in the Statement of Activities	2,395,004
Compensated Absences are Recorded when Earned in the Statement of Activities. In the Current Year, more was Earned than was Paid Out.	(63,713)
Issuance of New Debt is recorded as Other Financing Sources in the Governmental Funds, but not in Statement of Activities (where It increases long-term debt)	(13,850,000)
Loss on Disposal of Asset and termination of Capital Lease is Expenditure in Statement of Activities; it is not reported in Governmental Funds	<u>(17,350)</u>
Change in Net Assets of Governmental Activities	<u>\$497,487</u>

The notes to financial statements are an integral part of this statement.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Plymouth Educational Center Charter School conform to generally accepted accounting principles as applicable to charter schools. The following is a summary of the significant policies:

Reporting Entity

Plymouth Educational Center Charter School is a nonprofit corporation and a public school academy. The State of Michigan has delegated to Central Michigan University the responsibility of authorizing the establishment of public school academies and Central Michigan University approved the establishment of Plymouth Educational Center Charter School and Plymouth Educational Center Charter School was established pursuant to the Michigan School Code of 1976 ("Code"), as amended by Act No. 362 of the Public Acts of 1993, being Part 6A, Sections 380.501 to 380.507 of the Michigan Compiled Laws, and Act No. 416 of the Public Acts of 1994, being Part 6B, Sections 380.511 and 380.518 of the Michigan Compiled Laws.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Charter School. Based on application of the criteria, the entity does not contain component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Charter School's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

The Charter School reports the following major governmental funds:

General Fund

This fund is used to account for all operational activities of Plymouth Educational Center Charter School. The General Fund includes the current operating expenditures of Plymouth Educational Center Charter School. Revenues are derived primarily from the State of Michigan.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Debt Service Fund

This fund is used to record activity related to the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund

This Fund is used to account for capital projects associated with the improvement and development of the Charter School's facilities.

Additionally the Charter School reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes and transactions of the Charter School's latchkey, cafeteria and athletic programs. The Charter School maintains full control of these funds.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Receivables are shown net of an allowance for uncollectible amounts. The Charter School considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Capital Assets – Capital assets, which include land, buildings and equipment are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the Charter School as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Charter School does not have infrastructure-type assets.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Assets, Liabilities, and Net Assets or Equity – (Continued)

Capital Assets (Continued) - Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Building and Building Additions	25-50 years
Furniture and Other Equipment	10 years

Compensated Absences – The liability for compensated absences reported in the district-wide statement consists of earned but unused accumulated sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data – Comparative data is not included in the Charter School's financial statements.

2) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General, Special Revenue, and Debt Service Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund function and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the object level. State law requires the Charter School to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Charter School incurred expenditures in the General Fund, which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Added Needs	\$211,517	\$424,217
Support Services:		
Pupil Support	200,806	226,161
Instructional Staff	244,399	276,673
General Administration	401,705	508,293
School Administration	1,100,363	1,210,760
Transportation	13,008	20,807

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Charter School's opinion, any disallowed claims will not have a material effect on the financial statements as of and for the year June 30, 2006.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

3) DEPOSITS AND INVESTMENTS

State statutes and the Charter School's investment policy authorize the Charter School to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Charter School is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Charter School's deposits are in accordance with statutory authority.

The Charter School has designated two banks for the deposit of its funds.

The investment policy adopted by the Board has authorized investments as listed in the State statutory authority as listed above.

The Charter School's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. The Charter School's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Charter School's deposits for custodial credit risk. At year end, the Charter School deposit balance of \$2,910,880 had \$2,710,880 of bank deposits (certificates of deposit, checking and saving accounts) that were uninsured and uncollateralized. The Charter School believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter School evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Charter School's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. The Charter School does not have investments with custodial credit risk.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

3) DEPOSITS AND INVESTMENTS – (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter School's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Charter School's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Charter School's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Charter School's investment policy does not further limit its investment choices. The Charter School held no such investments at June 30, 2006.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the Charter School's policy prohibit investment in foreign currency.

4) RECEIVABLES AND DEFERRED REVENUE

Receivables as of year end for the Charter School's individual major and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Intergovernmental	<u>\$1,309,910</u>	<u>\$33,757</u>	<u>\$1,343,667</u>

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

4) RECEIVABLES AND DEFERRED REVENUE – (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Grant and Categorical Aid Payment Received Prior to Meeting all Eligibility Requirements	<u>\$604</u>

5) CAPITAL ASSETS

Capital assets activity of the Charter School's governmental activities was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance July 1, 2006</u>
Capital Assets not Being Depreciated:				
Land	\$255,900	\$0	\$0	\$255,900
Capital Assets Being Depreciated:				
Building and Building Improvements	9,590,659	26,299	0	9,616,958
Assets under Capital Lease	351,442	37,948	32,272	357,118
Furniture and Equipment	550,473	34,782	0	585,255
Subtotal	<u>10,748,474</u>	<u>99,029</u>	<u>32,272</u>	<u>10,815,231</u>
Accumulated Depreciation:				
Building and Building Improvements	784,864	182,253	0	967,117
Assets under Capital Lease	130,076	29,193	14,922	144,347
Furniture and Equipment	182,264	66,643	0	248,907
Subtotal	<u>1,097,204</u>	<u>278,089</u>	<u>14,922</u>	<u>1,360,371</u>
Net Governmental Capital Assets	<u>\$9,651,270</u>	<u>(\$179,060)</u>	<u>(\$17,350)</u>	<u>\$9,454,860</u>

6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

	<u>Fund Due From</u>	
	Nonmajor Governmental Funds	<u>Total</u>
<u>Fund Due To</u>		
General Fund	<u>\$225,277</u>	<u>\$225,277</u>

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – (Continued)

Interfund receivables and payables occur during the normal course of business and are settled routinely during the year.

Interfund Transfers

	Transfers Out- General Fund	Transfers Out- Debt Service
Transfers in-Debt Service Fund	\$1,140,355	\$0
Transfers in-Other Governmental Funds	69,084	0
Total	<u>\$1,209,439</u>	<u>\$0</u>
 Transfer to Capital Projects Fund	 <u>\$0</u>	 <u>\$1,000,000</u>

Interfund transfers provide General Fund support to the Debt Service and Latchkey funds. Transfer to capital projects was for renovations/improvements on school facilities.

7) LONG-TERM DEBT

The Charter School issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter School. Notes and installment purchase agreements are also general obligations of the Charter School. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds	\$11,290,000	\$13,850,000	\$11,290,000	\$13,850,000	\$190,000
Accrued Sick Pay	175,836	63,713	0	239,549	0
Notes	126,038	0	126,038	0	0
Capital Lease Obligations	13,686	37,948	15,539	36,095	13,765
Total Governmental Activities	<u>\$11,605,560</u>	<u>\$13,951,661</u>	<u>\$11,431,577</u>	<u>\$14,125,644</u>	<u>\$203,765</u>

Capital Lease Obligations – The capital lease obligation is payable with G.E. Capital. The lease began in February 2006 and carries a monthly payment of \$1,207 for 36 months. The capitalizable value of the asset is \$37,948 and is reflected in the statement of net assets.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

7) LONG-TERM DEBT – (Continued)

The outstanding lease obligation at June 30, 2006 is \$36,095. This obligation matures as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2007	\$13,765
2008	13,002
2009	9,328
Total	<u><u>\$36,095</u></u>

The Center has issued \$13,850,000 in revenue and refunding bonds due in annual installments of \$190,000 to \$890,000 through November 2035, with interest ranging from 4% to 5.625%.

These bonds contain certain minimum fund balance covenants. The Center must maintain an unrestricted fund balance in its general fund which equals not less than an amount calculated as a percentage of operating expenses for the prior school year. This percentage ranges from 5% to 10% depending upon various criteria. If the minimum fund balance falls below the required amount as of June 30, the Center must retain on an annual basis a minimum of 50% of excess net revenues until the Center is in compliance with the minimum fund balance requirement.

The annual requirements to service the bond payable outstanding to maturity, including both principal and interest are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	190,000	720,328	910,328
2008	225,000	712,028	937,028
2009	230,000	702,784	932,784
2010	240,000	692,940	932,940
2011	245,000	681,715	926,715
2012-16	1,445,000	3,209,205	4,654,205
2017-21	1,845,000	2,800,872	4,645,872
2022-26	2,365,000	2,262,282	4,627,282
2027-31	3,065,000	1,541,828	4,606,828
2032-36	4,000,000	580,440	4,580,440
Total	<u><u>\$13,850,000</u></u>	<u><u>\$13,904,422</u></u>	<u><u>\$27,754,422</u></u>

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

7) LONG-TERM DEBT – (Continued)

Defeased Debt – During the year, the Center issued \$13,850,000 in revenue and refunding bonds with interest rates ranging between 4.0 % and 5.625 %. The proceeds of these bonds were used to advance refund \$11,100,000 of outstanding certificate serial bonds with interest rates ranging between 7.0 % and 12.5%. The net proceeds of \$12,801,683 (after payment of \$797,245 in underwriting fees, insurance, and other issuance costs, as well as funds being utilized for capital projects) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Center's financial records. The advance refunding increases total debt service payments over the next thirty years by approximately \$475,000 which represents an economic loss of approximately \$100,000.

Bond Issuance Cost – The bond issuance costs of \$797,245 are being amortized over the life of the bond issuance.

Loss on Bond Issuance – The loss on bond issuance of \$1,701,683 (proceeds of \$12,801,683 deposited with escrow agent less \$11,100,000 outstanding balance on defeased bonds) is being amortized over the weighted average life remaining on the defeased bonds.

8) LOAN PAYABLE

The \$62,672 loan payable represents the outstanding balance on a \$350,000 loan from Park National Bank. The Park National Bank loan carries an interest rate of 5.25% and has a remaining balance of \$62,672 that was paid off in full on September 30, 2006.

9) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The Charter School participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**PLYMOUTH EDUCATIONAL CENTER
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

9) **DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS—
(Continued)**

Funding Policy – (Continued) - The pension benefit rate totalled 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Charter School contributions to the MPSERS plan for the years ended June 30, 2006, 2005 and 2004 were \$493,659, \$410,274 and \$400,215 respectively.

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the Charter School's total contribution to the MPSERS plan discussed above.

REQUIRED SUPPLEMENTAL INFORMATION

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue:				
Local Sources	\$94,000	\$94,000	\$286,703	\$192,703
State Sources	6,878,994	7,071,054	6,962,580	(108,474)
Federal Sources	463,752	569,202	679,357	110,155
Total Revenue	<u>7,436,746</u>	<u>7,734,256</u>	<u>7,928,640</u>	<u>194,384</u>
Expenditures:				
<u>Instruction:</u>				
Basic Instruction	3,050,289	3,279,787	3,009,337	(270,450)
Added Needs	221,739	211,517	424,217	212,700
<u>Support Services:</u>				
Pupil Support	158,409	200,806	226,161	25,355
Instructional Staff	287,074	244,399	276,673	32,274
General Administration	395,469	401,705	508,293	106,588
School Administration	1,017,976	1,100,363	1,210,760	110,397
Business Services	407,009	407,009	357,501	(49,508)
Maintenance and Operations	754,048	743,936	718,866	(25,070)
Transportation	13,008	13,008	20,807	7,799
Total Expenditures	<u>6,305,021</u>	<u>6,602,530</u>	<u>6,752,615</u>	<u>150,085</u>
Other Financing Sources (Uses)				
Transfers Out	(1,131,725)	(1,131,726)	(1,209,439)	(77,713)
Total Other Financing Sources (Uses)	<u>(1,131,725)</u>	<u>(1,131,726)</u>	<u>(1,209,439)</u>	<u>(77,713)</u>
Net Changes in Fund Balances	0	0	(33,414)	(33,414)
Fund Balances-July 1, 2005	<u>1,089,125</u>	<u>1,089,125</u>	<u>1,089,125</u>	<u>0</u>
Fund Balances-June 30, 2006	<u>\$1,089,125</u>	<u>\$1,089,125</u>	<u>\$1,055,711</u>	<u>(\$33,414)</u>

OTHER SUPPLEMENTAL INFORMATION

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			Total
	Food Services	Athletics	Latchkey	
<u>ASSETS</u>				
Cash and Investments	\$148,855	(\$325)	\$43,773	\$192,303
Receivables	26,400	0	7,357	33,757
Total Assets	<u>\$175,255</u>	<u>(\$325)</u>	<u>\$51,130</u>	<u>\$226,060</u>
<u>LIABILITIES</u>				
Accounts Payable	\$0	\$0	\$783	\$783
Due to Other Fund	0	0	225,277	225,277
Total Liabilities	<u>0</u>	<u>0</u>	<u>226,060</u>	<u>226,060</u>
<u>FUND BALANCES</u>				
Unreserved:				
Undesignated, Reported in Special Revenue Funds	175,255	(325)	(174,930)	0
Total Fund Balances	<u>175,255</u>	<u>(325)</u>	<u>(174,930)</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$175,255</u>	<u>(\$325)</u>	<u>\$51,130</u>	<u>\$226,060</u>

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			Total
	Food Services	Athletics	Latchkey	
REVENUE				
Local	\$33,929	\$28,537	\$119,883	\$182,349
State	6,390	0	0	6,390
Federal	359,504	0	0	359,504
Total Revenue	<u>399,823</u>	<u>28,537</u>	<u>119,883</u>	<u>548,243</u>
EXPENDITURES				
<u>Current:</u>				
Food Services	327,878	0	0	327,878
Athletics	0	34,489	0	34,489
Latchkey	0	0	254,960	254,960
Total Expenditures	<u>327,878</u>	<u>34,489</u>	<u>254,960</u>	<u>617,327</u>
Excess of Revenue Over (Under) Expenditures	71,945	(5,952)	(135,077)	(69,084)
Other Financing Sources-Transfer In	<u>0</u>	<u>0</u>	<u>69,084</u>	<u>69,084</u>
Net Changes in Fund Balances	71,945	(5,952)	(65,993)	0
Fund Balances-Beginning of Year	<u>103,310</u>	<u>5,627</u>	<u>(108,937)</u>	<u>0</u>
Fund Balances-End of Year	<u>\$175,255</u>	<u>(\$325)</u>	<u>(\$174,930)</u>	<u>\$0</u>

**PLYMOUTH EDUCATIONAL
CENTER CHARTER SCHOOL**

**FEDERAL AWARDS
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2006

**PLYMOUTH EDUCATIONAL
CENTER CHARTER SCHOOL**

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	2
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	4
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs.....	8
Status of Prior Year Findings	11

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Plymouth Educational Center
Charter School

We have audited the general purpose financial statements of the Plymouth Educational Center Charter School for the year ended June 30, 2006 and have issued our report thereon dated October 20, 2006. Those general purpose financial statements are the responsibility of the management of the Plymouth Educational Center Charter School. Our responsibility was to express an opinion on those general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Plymouth Educational Center Charter School taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Alan C. Young & Assoc.

October 20, 2006

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Plymouth Educational Center
Charter School

We have audited the Financial Statements of the governmental activities, major funds, and the aggregate remaining fund information of the Plymouth Educational Center Charter School as of and for the year ended June 30, 2006, which collectively comprise Plymouth Educational Center Charter School's basic financial statements and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plymouth Educational Center Charter School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Report Letter on Compliance with Laws and Regulations and
Internal Control - General Purpose Financial Statement
(Continued)

Internal Control Over Financial Reporting (Continued)

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the School in a separate letter dated October 20, 2006.

Compliance

As part of obtaining reasonable assurance about whether the Plymouth Educational Center Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of the Plymouth Educational Center Charter School in a separate letter dated October 20, 2006.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alan C. Young, Assoc.

October 20, 2006

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

**REPORT ON COMPLIANCE WITH LAWS AND REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Board of Directors of the
Plymouth Educational Center
Charter School

Compliance

We have audited the compliance of the Plymouth Educational Center Charter School with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of the Plymouth Educational Center Charter School are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Plymouth Educational Center Charter School's management. Our responsibility is to express an opinion on the Plymouth Educational Center Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Plymouth Educational Center Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Plymouth Educational Center Charter School's compliance with those requirements.

In our opinion, the Plymouth Educational Center Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards
(Continued)

Internal Control Over Compliance

The management of the Plymouth Educational Center Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the Plymouth Educational Center Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alan C. Young, Assoc.

October 20, 2006

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal/Pass Through Grantor/Program Title/Grants	Federal CFDA Number	Approved Grant Award Amount	Accrued/ (Deferred) Revenue 6/30/2005	Memo Only Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash/In-kind Receipts	Accrued/ (Deferred) Revenue 6/30/2006	Revenue
U.S. DEPT. OF EDUCATION:									
Passed thru MI Department of Education									
<u>Title I</u>									
0515300405	84.010	\$374,101	\$100,000	\$374,101	\$0	\$0	\$100,000	\$0	\$0
0615300506		477,894	0	0	0	477,894	435,000	42,894	477,894
Total Title I		851,995	100,000	374,101	0	477,894	535,000	42,894	477,894
<u>Title V</u>									
060250 0506	84.298	9,233	0	0	0	9,233	9,233	0	9,233
Total Title V		9,233	0	0	0	9,233	9,233	0	9,233
<u>Technology Literacy</u>									
0642805A	84.318	7,000	0	0	0	6,396	7,000	(604)	6,396
Total Technology Literacy		7,000	0	0	0	6,396	7,000	(604)	6,396
<u>Improving Teacher Quality</u>									
060520 0506	84.367	74,054	0	0	0	74,054	74,054	0	74,054
Total Improving Teacher Quality		74,054	0	0	0	74,054	74,054	0	74,054
Total Passed thru MI Department of Education		942,282	100,000	374,101	0	567,577	625,287	42,290	567,577
Passed thru WCRESA									
<u>Idea Flowthrough</u>									
2004-05	84.027	46,468	(26,444)	20,024	0	31,133	4,689	0	31,133
2005-06		80,647	0	0	0	80,647	80,647	0	80,647
Total Idea Flowthrough		127,115	(26,444)	20,024	0	111,780	85,336	0	111,780
TOTAL U.S. DEPT. OF EDUCATION		\$1,069,397	\$73,556	\$394,125	\$0	\$679,357	\$710,623	\$42,290	\$679,357
U.S. DEPT. OF AGRICULTURE:									
Passed thru MI Department of Education									
<u>National School Breakfast</u>									
2004-05	10.553	69,794	7,192	70,653	0	0	7,192	0	0
2005-06		74,629	0	0	0	74,629	68,313	6,316	74,629
Total National School Breakfast		144,423	7,192	70,653	0	74,629	75,505	6,316	74,629
<u>National School Lunch</u>									
2004-05	10.555	306,195	23,081	308,752	0	0	23,081	0	0
2005-06		284,875	0	0	0	284,875	264,791	20,084	284,875
Total National School Lunch		591,070	23,081	308,752	0	284,875	287,872	20,084	284,875
Total U.S. Dept. of Agriculture		735,493	30,273	379,405	0	359,504	363,377	26,400	359,504
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$1,804,890	\$103,829	\$773,530	\$0	\$1,038,861	\$1,074,000	\$68,690	\$1,038,861

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

1) SIGNIFICANT ACCOUNTING PRINCIPLES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Plymouth Educational Center Charter School and is presented on the same basis of accounting as the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2) EXPENDITURE REPORTS

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports. Unallowable differences have been disclosed to the auditor.

3) GRANT SECTION AUDITOR'S REPORT

Management has utilized the Form R-7120 in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not
considered to be material weaknesses? _____ Yes X None Reported

Non-Compliance material to financial
statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not
considered to be material weakness? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of Circular
A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Chapter 1/Title 1

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low risk auditee? X Yes _____ No

See Notes to Schedule of Expenditures of Federal Awards.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006
(Continued)**

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

No financial statement audit findings were noted for the year ended June 30, 2006.

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

Reference
Number

Finding

2006-1

Program Name – Title I

CFDA Number – 84.010

Finding Type –Noncompliance

Criteria – OMB Circular A-87 requires that when employees are expected to work solely on a single federal award, charges for their salaries will be supplied by periodic certifications that the employees worked solely on the program for the semi-annual period covered by the certification.

Condition – Plymouth Educational Center did not comply with the certification requirement for the one staff member who was working 100% for the Title I program.

Questioned Costs – None

Cause/Effect – The School was unaware of this certification requirement and did not maintain the required documentation.

Recommendation – We recommend that the School should stay aware of all Title I compliance requirements and any changes therein. The Michigan School Auditing Manual prepared by the Michigan Department of Education and available online is an excellent such resource.

View of Responsible Officials: The School will fully utilize all available information from MDE and elsewhere to keep abreast of all compliance requirements. Additionally, a process will immediately be implemented to certify on a semi-annual basis any employees working 100% on a federal program.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006
(Continued)**

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS – (Continued)

Reference
Number

Finding

2006-2

Program Name – Title I

CFDA Number – 84.010

Finding Type –Noncompliance

Criteria – Expenditures charged to Title I must be for an allowable activity under the terms of the grant.

Condition – As a result of our cash disbursement testing, we noted one disbursement out of thirty non-payroll transactions tested to be unallowable under the grant. The disbursement was for \$622.

Questioned Costs – None

Cause/Effect – The disbursement was charged to an incorrect code and was improperly included as a Title I expense.

Recommendation – We recommend that CFO review the account classification before and after processing invoices to help prevent situations such as this from occurring.

View of Responsible Officials: All future invoices allocations will be scrutinized prior to posting to help prevent misallocations.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006
(Continued)**

Status of Prior Year Findings

No findings were noted for the year ended June 30, 2005.

October 20, 2006

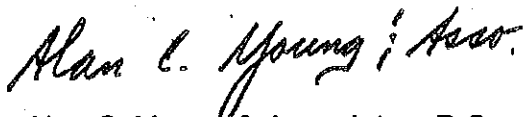
To the Board of Directors of
Plymouth Educational Center
Charter School
Detroit, Michigan

In planning and performing our audit of the financial statements of Plymouth Educational Center Charter School (the School) for the year ended June 30, 2006, we considered the School's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a matter that has an opportunity for strengthening internal controls and operating efficiency. Exhibit A, that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report on the financial statements of the School.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel of the School, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Alan C. Young & Assoc.".

Alan C. Young & Associates, P.C.
Certified Public Accountants

1) DEPOSITS OF CASH

During our examination of cash receipts, we noted that cash collected for latchkey, bookstore and other miscellaneous sources is deposited on a weekly or semi-weekly basis. Although the cash is kept in a locked safe, keeping cash on hand for extended periods of time should be avoided where possible.

We recommend that deposits of cash be made 2-3 times per week, or more often if cash reaches a certain level. This would help strengthen the internal controls over cash receipts and reduce the risk of theft or misuse of funds.